GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:271
ANSWERED ON:16.03.2007
FUNCTIONING OF CO OPERATIVE BANKS
Khaire Shri Chandrakant Bhaurao;Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

(a) the number of Co-operative Banks that incurred losses during the last three years, State-wise;

(b) whether most of the Co-operative Banks functioning at present in the country are in a weak position;

(c) if so, whether the Government proposes to review the performance of Co-operative Banks in India;

(d) if so, the details thereof; and

(e) the steps taken by the Government to improve the functioning and strengthening the position of Co-operative Banks in the country?

Answer

FINANCE MINISTER (SHRI P.CHIDAMBARAM)

(a) to (e) : A Statement is laid on the Table of the House.

Statement referred to Parts (a) to (e) of Lok Sabha Starred Question No. 271 to be answered on 16th March, 2007, regarding Functioning of Cooperative Banks, tabled by Shri G. Karunakara Reddy and Shri Chandrakant Khaire.

(a) & (b) : Seven out of 31 State Cooperative Banks (SCBs) and 131 out of 366 District Central Cooperative Banks(DCCBs) have not been complying with the minimum capital requirement of Rs. one lakh prescribed under Section 11(1) of the Banking Regulation Act, 1949 (AACS). As regards Urban Cooperative Banks(UCBs) in the year 2006, 716 UCBs are categorised as sound Banks having no supervisory concerns, 460 UCBs are categorised as Grade-II, 407 UCBs as Grade-III and 270 UCBs as Grade-TV. Banks in Grades-III and IV broadly correspond to weak and sick category. The State-wise number of DCCBs and UCBs that incurred losses during the last three years and two years respectively is at Annex.

(c) to (e) ; Based on the recommendations of the Vaidyanathan Committee, a revival package for Short Term Co-operative Credit Structure(STCCS) has been approved in consultation with the State Governments and sent to them for acceptance for implementation. The approved revival package, inter-alia, includes the wiping out of accumulated losses subject to certain legal and institutional reforms to be initiated by State Governments.
15 States and one Union Territory(U.T.) have so far conveyed their consent to implement the package. Work of special audit of the Primary Agriculture Credit Societies(PACS) is in progress in ten States viz. Andhra Pradesh, Maharashtra, Madhya Pradesh, Rajasthan, Uttarakhand, Haryana, Gujarat, Uttar Pradesh, Bihar and Orissa which have executed Memorandum of Understanding(MoU) with NABARD and Government of India for implementing the Package. States of Goa, Arunachal Pradesh, Tripura, Meghalaya, Manipur and U.T. of Dadra & Nagar Haveli have given their consent to the package.
As regards UCBs, it has been RBI`s endeavour to develop the Sector on sound lines. RBI in its Annual Policy Statement for the year 2004-05, stipulates that in order to make this sector strong, healthy and stable, fresh licences are to be issued only after a comprehensive policy on UCBs, including an appropriate legal and regulatory framework for the sector, is put in place.
To ensure regulatory coordination and cooperation under the existing legal framework, RBI has been entering into MoU with State Governments. So far, MoUs have been signed with eight State Governments viz. Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Uttaraidiand, Rajasthan, Chhattisgarh and Goa. A Task Force for Urban Co-operative Banks (TAFCUB) has been set up in each of these States for identification of and drawing up of a time bound action plan for revival of potentially viable UCBs and for non disruptive exit for non-viable UCBs.
In view of the regulatory co-ordination brought about through signing of MoU`s with State Governments and based on the positive experience of the TAFCUBs, it was stated in the Mid-term Review of Annual Policy Statement for the year 2006-07, to allow financially sound UCBs - registered in States that have signed MoU with the Reserve Bank of India and those registered under the Multi-State Co-operative Societies Act, 2002 - certain relaxation in the matter of licensing of branches.